



**U.S. Department of the Interior
Office of Inspector General**

SURVEY REPORT

**USE OF THE
GOVERNMENTWIDE PURCHASE CARD,
BUREAU OF INDIAN AFFAIRS**

**REPORT NO. 98-I-283
FEBRUARY 1998**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

FEB 27 1998

SURVEY REPORT

Memorandum

To: Assistant Secretary for Indian Affairs

From: Robert J. Williams *Robert J. Williams*
Acting Inspector General

Subject: Survey Report on the Use of the Governmentwide Purchase Card, Bureau of Indian Affairs (No. 98-I-283)

INTRODUCTION

This report presents the results of our survey of the use of the Governmentwide purchase card at the Bureau of Indian Affairs. The original objective of the audit was to evaluate the economy and efficiency of the Bureau's Governmentwide Purchase Card Program and to determine whether the Program was managed in accordance with applicable laws, regulations, and guidelines. However, during our survey, the General Accounting Office issued the report entitled "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency" (No. GAO/NSIAD-96-138) on August 6, 1996. The report stated: "The use of purchase cards for small purchases can reduce agencies' mission support, labor, and payment processing costs 50 percent by moving simple purchases from procurement offices to program offices and consolidating payments. In addition, some agencies found that purchase card use has helped them absorb the impact of administrative staff reductions and improve service delivery." Therefore, based on these statements, we revised our objective to determine whether the Program was managed in accordance with applicable laws, regulations, and guidelines rather than to evaluate the Program's efficiency and economy.

BACKGROUND

In 1989, the General Services Administration awarded a contract to Rocky Mountain BankCard System (Rocky Mountain Bank) to provide purchase card services within the Federal Government. The purchase card was intended to streamline the small purchase and payment process and to be used only for official purposes. On June 28, 1990, the Department of the Interior issued the "Handbook for Utilization of the Governmentwide Commercial Credit Card," under Department of the Interior Acquisition Policy Release (DIAPR) 90-35. According to the Release, the Department's intent in issuing the Handbook

was to present the general policy in which the bureaus could develop their own card procedures. In November 1995, the Bureau implemented the Governmentwide Purchase Card Program and issued its own guidance in its "Bureau of Indian Affairs I.M.P.A.C. [International Merchant Purchase Authorization Card] User's Guide."

Cardholders were selected by Bureau managers and supervisors or approving **officials**. Each authorized cardholder was issued a Delegation of Authority, which identified a maximum dollar amount for each single purchase and a total dollar amount for all purchases per month that the cardholder could make. Most single purchases were limited to \$2,500 or the cardholder's maximum warrant authority for warranted cardholders. To ensure that cardholders complied with the Federal Acquisition Regulation and Bureau policies and procedures, each cardholder and approving official certified that they had received training on how to make small purchases. Training could be obtained through a formal training class, or the trainee could view a videotape on how to use the card. Each cardholder and approving official also received a copy of the Bureau Guide. The Guide contained instructions, requirements, and information on how to cancel a card, the responsibilities of the cardholder and approving **official**, restrictions on use of the card and restricted or unallowable purchases, requirements to verify availability of funds, and how to process the monthly statement. To process the statement each month, the cardholder was required to review it for accuracy; add the description of each item purchased, along with the document control number to be charged; and sign and submit the original statement, along with the sales receipts for all purchases, to the approving official. The approving official reviewed the information in the statement and attachments and compared this information with that contained in the Business Account Summary provided by Rocky Mountain Bank to the approving official of each cardholder before signing the statement and approving it for payment. The statement was then forwarded to the Branch of Payments, Division of Accounting Management, in Albuquerque, New Mexico, for payment.

Personnel in the Branch of Payments matched the information in the statement with the information in the invoice received from Rocky Mountain Bank and recorded the document control number from the statement in the accounting system before the invoice was paid. However, the Branch of Payments could process the payment of the invoice without the required information by using default accounting codes to establish obligations.

Statements that resulted in a credit balance (when the amount of credits totaled more than the amount of charges) were not recorded in the accounting system. In addition, if the cardholder noted an erroneous charge on the statement, the charge was paid by the Bureau and the cardholder was responsible for obtaining a credit for the erroneous charge **from** Rocky Mountain Bank. The cardholder was responsible for monitoring the statements to ensure that the proper credits were received from the vendor and Rocky Mountain Bank.

As of February 1996, the Bureau had 316 cardholders. In fiscal year 1995, Bureau cardholders used the Government purchase card to make purchases totaling approximately \$2.2 million. From October 1, 1995, to February 29, 1996, cardholders made purchases totaling \$1.8 million.

SCOPE OF SURVEY

Our survey included small purchases made with the Government purchase card by Bureau personnel during fiscal years 1995 and 1996 (through February 1996). We reviewed the overall administration of the Program and Program records to determine whether acquisition procedures were followed and whether the disbursement records and the purchases made with the card were appropriate and supported. Our survey fieldwork was conducted at the Navajo and the Albuquerque Area Offices, in Gallup and Albuquerque, New Mexico, respectively; the Central Office West (including the Division of Accounting Management) and the Office of Trust Funds Management, both in Albuquerque; and the Eastern Navajo and the Fort Defiance Agencies at Crownpoint, New Mexico, and Fort Defiance, Arizona, respectively.

Our survey was made in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. As part of our survey, we reviewed the Department's Accountability Report for fiscal year 1996, which includes information required by the Federal Managers' Financial Integrity Act, and determined that none of the reported weaknesses were within the objective and scope of our audit. We also evaluated the Bureau's system of internal controls related to purchase card activities and found that, overall, the Bureau of Indian Affairs provided adequate management controls of the purchases made with the card. However, we did find some areas in which improvements were needed. The improvements and recommended corrective actions are discussed in the Results of Survey section of this report. The recommendations, if implemented, should improve the internal controls in those areas discussed.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any audit reports during the past 5 years that specifically addressed our survey objective. However, as discussed previously, the General Accounting Office's August 6, 1996, report stated that agency studies revealed that use of the purchase card reduced labor and payment purchasing costs. Although the Department of the Interior was included in the study, no findings were directly addressed to the Department.

RESULTS OF SURVEY

We concluded that, overall, the Bureau of Indian Affairs Governmentwide Purchase Card Program was managed in accordance with applicable laws, regulations, and guidelines. Therefore, we terminated the audit at the end of the survey. However, we noted that funds were obligated twice for the same purchases (duplicate obligations), credit balances on monthly statements were not recorded in the accounting records, former employees' cards were not canceled, and periodic reviews of the purchases were not performed by appropriate officials. These conditions occurred because the Bureau's administrative procedures and

controls over the obligation of funds, payments, cancellation of cards, and review of purchases needed to be improved.

Duplicate Obligations

Management control procedures allowed both Branch of Payments personnel and the cardholders to obligate funds for the same purchases. This occurred when invoices were received from the Rocky Mountain Bankcard System on which obligations had not been established by the cardholder or the charges shown on the invoices could not be matched with obligations in the accounting system. As a result, personnel in the Branch of Payments entered default document control numbers into the accounting system and established obligations based on the information in the invoices. However, duplicate obligations were created for the same purchases when either the cardholders routinely obligated funds after the items were purchased or the cardholder and the approving official obligated the funds upon purchasing the items but did not submit the monthly purchase card statements to the Branch of Payments within 10 days, as required by Section 3 of the Bureau Guide. We also noted that Branch of Payments procedures did not provide for the accounting technicians to contact the cardholders to obtain the statements and to resolve defaulted obligations. Further, cardholders and approving officials did not monitor their card statements and the accounting transactions to ensure that the transactions were recorded correctly. At the time of our survey, we were provided with a 15-page report on defaulted obligations transactions that were unresolved. The report included approximately 445 transactions, totaling \$594,000, that were attributable to credit card transactions.

Monthly Statements With Credit Balances

The Branch of Payments did not record negative (credit) balances on the monthly statements in the Bureau's accounting system. A credit statement results when the amount of credits attributable to returns and adjustments exceeds the amount of purchases. The accounting technicians in the Branch of Payments said that these credits were not recorded because they were not aware, because of a lack of training, that negative amounts could be recorded in the accounting system. The Federal Financial System User's Guide provides instructions on how to use the Federal Financial System and describes how a credit voucher (negative amount) can be recorded in the Federal Financial System. As a result of the deficiency, the credit balances on the monthly statements were not recorded in the accounting system, which resulted in overstated expenses being reported. In addition, Bureau personnel could not identify the number of unrecorded credit transactions because the purchase card statements with the credit balances had been commingled and filed with the statements that had been processed.

Cancellation of Cards

We found, in our test of 14 employees who were no longer with the Bureau or who had transferred to another Bureau office, that the purchase cards had not been canceled for 8 of these employees. The approving officials responsible for canceling the eight cards stated that

they were either uncertain of the procedures for canceling the cards or did not ensure that the actions taken resulted in the cards being canceled. The Bureau Guide contains instructions for canceling the purchase cards of employees who leave the Bureau or who are transferred to another Bureau office. Our test of the purchase card transactions for these eight employees did not disclose that any of the uncanceled cards had been used.

Annual Review of Purchases

The Bureau's warranted procurement and approving officials did not conduct periodic reviews of card purchases, as required by Departmental policy. According to Section XVI of the Departmental Handbook, warranted procurement officials and approving officials are to review and evaluate, at least annually, the adequacy and accuracy of the records related to Government purchase card acquisitions to ensure that the cards are used properly by Bureau personnel. According to Bureau personnel, the reviews were not performed (despite the Departmental requirement) because the Bureau had not established its own policies and procedures to conduct the periodic reviews of the purchase card records in its Guide.

Recommendations

We recommend that the Assistant Secretary for Indian Affairs:

1. Ensure that cardholders and approving officials submit the purchase card monthly statements to the Division of Accounting Management within 10 calendar days, as required by the Bureau Guide.
2. Require the Branch of Payments to notify the cardholders of all current and future defaulted accounting transactions and ensure that the cardholders take action to have duplicate transactions deobligated.
3. Require that all credit transactions on the purchase card statements which have not been recorded and all future credit transactions listed on purchase card statements be identified and recorded in the Federal Financial System.
4. Ensure that supervisors are properly trained regarding the need to cancel the purchase cards whenever a cardholder leaves the Bureau or is transferred to another Bureau office.
5. Require that purchases are reviewed by warranted procurement and approving officials at least annually, as described in Section XVI of the Departmental Handbook.

Bureau of Indian Affairs Response and Office of Inspector General Reply

In the February 16, 1998, response (Appendix 1) to the draft report from the Assistant Secretary for Indian Affairs, the Bureau concurred with four recommendations and partially concurred with one recommendation. Although the Bureau only partially concurred with Recommendation 3, the alternative actions taken were sufficient for us to consider the

recommendation resolved and implemented. Based on the response, we consider Recommendation 2 resolved but not implemented and Recommendations 1, 3, 4, and 5 resolved and implemented. Accordingly, the unimplemented recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendations are considered resolved, no further response to the **Office** of Inspector General is required (see Appendix 2).

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the assistance of Bureau personnel in the conduct of our survey.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

Memorandum

FEB 16 1998

To: Assistant Inspector General for Audits

From: Assistant Secretary - Indian Affairs *Kelvin Lopez*

Subject: Draft Survey Report on the Use of the Governmentwide Purchase Card, Bureau of Indian Affairs (Assignment No. C-IN-BIA-006-96)

The subject report concluded that the Bureau of Indian Affairs provided adequate management controls of purchases made with Government Purchase Cards (IMPAC) and made five recommendations to further improve the program.

Recommendation No. 1:

Ensure that cardholders and approving officials submit the purchase card monthly statements to the Division of Accounting Management within 10 calendar days, as required by the Bureau Guide.

Response: The Bureau concurs. The Bureau has recently modified its procedures to require that purchase card monthly statements be submitted to the local processing office (generally Area Offices or the Division of Accounting Management). A memorandum has been sent to all approving officials and Area Directors reminding them of the 10 day requirement (Attachment 1). IMPAC Coordinators are to be notified of employees who routinely miss the 10-day deadline, and the employee's card may be canceled. We consider this recommendation resolved and implemented.

Recommendation No. 2:

Require the Branch of Payments to notify the cardholders of all current and future defaulted accounting transactions and ensure that the cardholders take action to have duplicate transactions deobligated.

Response: The Bureau concurs. The Bureau is developing a computerized interface between the Federal Financial System (FFS) and the Rocky Mountain Bank Card System. Implementation is scheduled for April 1998. The interface will use a default account code for each cardholder, and manual system entries will be made only if the cardholders charge to an account other than the default code. Field offices have reviewed the default account codes and have provided changes to the Division of Accounting Management. Testing of the interface was completed in December and modifications are being made to the interface. Duplicate transactions should no longer occur because data entry clerks will rarely need to make manual entries into the FFS.

The Division of Accounting Management provided training for all Accounting Officers the last week of January (Attachment 2) on data entry procedures for transferring charges from the default account to a different account. They were also instructed on administrative issues such as changing default account codes for users and **notifying** IMPAC Coordinators when a cardholder is repeatedly delinquent in submitting statements.

Responsible Official:	Chief, Division of Accounting Management
Target Completion Date:	April 30, 1998

Recommendation No. 3:

Require that all credit transactions on the purchase card statements which have not been recorded and all future credit transactions listed on purchase card statements be identified and recorded in the FFS.

Response: The Bureau partially concurs. Interim procedures have been developed for entering credit transactions into FFS (Attachment 3) and staff are presently being trained to use these procedures. When implemented, the new interface will identify and post credits, and manual entry of credit transactions will rarely be required. Although credit transactions were not recorded when received, they were realized as subsequent purchases eliminated the credit. There would be very few, if any, credit transactions on accounts in which there were no subsequent charges. A bill for collection was sent to Rocky Mountain Bank Card System for identified credits where the cardholder had **left** the Bureau. The new procedures will ensure that all **future** credit transactions are properly recorded. We consider this recommendation resolved and implemented.

Recommendation No. 4:

Ensure that supervisors are properly trained regarding the need to cancel the purchase cards whenever a cardholder leaves the Bureau or is transferred to another Bureau office.

Response: The Bureau concurs. Approving officials have been notified that they must contact their IMPAC Coordinator as soon as possible when an employee leaves the Bureau regardless of whether the card has been collected (Attachment 1). The IMPAC Coordinator is responsible for making sure the employee's card is canceled immediately upon notification by the approving official. We consider this recommendation resolved and implemented.

Recommendation No. 5:

Require that purchases are reviewed by warranted procurement and approving officials at least annually, as described in Section XVI of the Departmental Handbook.

Response: The Bureau concurs. Some reviews have occurred in the past, but not consistently or Bureau wide. Attachment 1 reminds responsible officials that reviews must be scheduled at least annually and documentation of the reviews must be kept on file. We consider this recommendation resolved and implemented.

Attachments

[NOTE: ATTACHMENTS NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL]

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	status	Action Required
1, 3, 4, and 5	Implemented.	No further action is required.
2	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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